

April 21, 2015

RE: Senate Bill 248

Dear Chairman Leonard:

The Coalition Against Insurance Fraud is a national broad-based alliance of consumer groups and insurance companies dedicated to combating all forms of insurance fraud through education and advocacy. We are recognized as one of the leading anti-fraud organizations in the nation having worked with legislators and regulators throughout the nation to strengthen insurance fraud laws and enforcement.

The National Insurance Crime Bureau (NICB) is a national, not-for-profit organization supported by more than 1,100 property and casualty insurance companies, including many who write business in Michigan. Working with our member companies and law enforcement, we investigate organized criminal conspiracies dealing with insurance fraud and vehicle theft.

Michigan has become fertile ground for insurance fraud criminals. Insurance industry and law enforcement fraud experts are seeing significant upticks in medical fraud involving overzealous solicitation of patients, upcoding and other abuses. These schemes take shape using runners who help set up fake auto accidents and make false insurance claims for theft rings and medical facilities.

We are writing in strong support of SB 248 which would create an automobile insurance fraud prevention authority for Michigan. Your committee will be considering this legislation shortly.

As the two leading national anti-fraud organizations we regularly look at how the states treat insurance fraud and protect their consumers and businesses from being victimized by fraud. Michigan is one of the vast majority of the states that define the crime of insurance fraud. But, the reality is that simply having a law defining the crime does not assure that there is the necessary infrastructure to combat the crime.

Over 40 other states have a statewide coordinated system to combat insurance fraud. The financial resources devoted to this effort in Michigan could provide a means for funding prosecutors and investigators solely focused on organized criminal conspiracies engaged in insurance fraud. States such as Pennsylvania, Ohio and Texas have been able to find success utilizing the model you are considering via SB 248.

According to data from the NICB, the fraud problem in Michigan is severe and is getting worse. Questionable medical claims have risen over 200% since 2009 – the highest such uptick in the country. According to the Insurance Information Institute, Michigan also tops the charts nationally in no-fault claim severity at nearly \$35,000 per claim.

The lack of such an authority in Michigan harms the insurance consumers and businesses and adds burdens on the cost of insurance that all Michigan residents pay. It is estimated that fraudulent auto claims in Michigan translates into about \$400 million annually and that the evidence is that the problem is growing.

SB 248, if enacted, will be an important tool for the state to fight automobile insurance fraud. It is clear to us that creating this fraud authority will be a clear benefit for the insurance consumers in the state as well as the business community of Michigan.

Sincerely,

A handwritten signature in black ink, appearing to read "Howard Goldblatt". The signature is fluid and cursive, with a large, stylized initial "H".

Howard Goldblatt
Director of Government Affairs
Coalition Against Insurance Fraud

A handwritten signature in black ink, appearing to read "Timothy Lynch". The signature is fluid and cursive, with a large, stylized initial "T".

Timothy Lynch
Director of Government Affairs
National Insurance Crime Bureau